

Deputy Secretary Chuck Conner

DEPUTY SEC. CHUCK CONNER: Joe, thank you very much for that nice introduction. Ladies and gentlemen, I thank you all for being here tonight to join all of our colleagues from the U.S. Department of Agriculture.

Now tonight, folks, you were supposed to hear from Vice President Cheney who was scheduled to address you. Instead you got me, the Deputy Secretary of Agriculture. I'm guessing that is a bit of a let-down. (laughs) But for those of you who are let down, let me just paraphrase an old saying amongst speakers which goes something like this: "I'm sorry I'm not your first choice of a speaker, but guess what: you're not my first choice of an audience either."

[Laughter]

Well, not true, ladies and gentlemen. Of course that is not the case. I am honored, deeply honored to be here with many of you fine folks, most of you whom I know and have worked with for so long.

Ladies and gentlemen, since this is a campaign season, I've got to tell you I find a void watching campaign news, but it's kind of inevitable. But it is campaign season, and we're hearing a lot of speeches from our presidential candidates. I thought you'd appreciate a story about one of the greatest campaigners that we've had in America in political history, a gentleman by the name of Huey Long, who was the legendary governor of the state of Louisiana.

Back when he was campaigning one year in a heavily Catholic southern part of Louisiana, he would start out each speech sort of the same way. He'd say something like this: "Folks, back when I was a boy" - you know I'm not from the Deep South so - but he said, "Back when I was a boy, I would get up at 6:00 in the morning on Sunday and I would hitch up the old horse and buggy, and I would take my Catholic grandparents to Mass." And he said, "I would bring them at 10:00, and then I would hitch up that old horse again and I would take my Baptist grandparents to church."

Now these stories of youthful piety had a profound effect on many of Long's audiences for many years. And finally one of the local political bosses who had several times gone out of his way to remind Huey about the number of Catholic voters in the southern part of Louisiana expressed a little admiration to Huey about his devout conduct. And he said, "Why Huey, you've been holding out on us." And he added, "I didn't know that you had Catholic grandparents." And Huey's response was something along the lines of, "Boy, you damned fool. We didn't even have a horse!"

[Laughter]

So you know, ladies and gentlemen, this business of politics is a fascinating game.

[Laughter]

And I tell you from firsthand experience, it can also be a rough game at times. I've made my career in it, but I will tell you honestly that I will never fully adjust or understand many of its ways. You know, it was Harry Truman who once said to one friend in Washington, "You better get a dog."

[Laughter]

I have two dogs.

[Laughter]

Two dogs.

The Ag Outlook Forum is one of the most important events that USDA does host each year. It does give us a chance to assess the current state of American agriculture and to lay out a path that is ahead of us.

Today, although our industry is very strong, you have to admit that the way forward has been uncertain. And that uncertainty is because so much of our agricultural economy does depend upon the farmer to help them make the right business decisions. And of course right now they don't have legislation to guide those decisions. So our number one priority at USDA right now, simply put, is to get a farm bill passed, to get a farm bill to the President that he can sign and sign quickly.

This has been a long process. For the past two and a half years, many of us at USDA have been devoting almost all of our time and our effort to laying the groundwork for a sound farm bill that we believe will help our farmers and ranchers compete better in this global economy. It began in 2005 when we traveled the country hosting Farm Bill Forums and gathering input directly from farmers and ranchers out on the ground.

Just in the short time since that process began, our agricultural economy has changed so dramatically. I'm embarrassed to admit that at this same Outlook Forum in 2005 a few months before we began those listening sessions, the speakers then were tallying the strength of the ag economy. If you were here then, and many of you were, you would have heard that we were forecasting more than \$78 billion in net cash income in 2005 and \$59 billion in export sales. To say we have eclipsed those numbers is of course putting it very mildly. At the close of 2007, net cash farm income has reached \$85.7 billion. This year of course as you heard this morning, we expect that figure to reach \$96 billion.

We're also seeing near-record prices for a number of our key crops. Last year corn prices hit an 11-year high, and of course they've exceeded that substantially already. Soybean prices hit a 34-year high; our wheat prices have never been higher in our history.

And our growth in exports has been nothing short of spectacular. As you heard again this morning, we have now upped our forecast once again, and our economists, Joe, intend to keep up with the market situation, and are now saying agricultural exports will exceed \$101 billion this year. That's up nearly \$19 billion over the last record level, and it sets the stage for the fifth consecutive record-breaking year in terms of more agricultural exports.

So ladies and gentlemen, our ag economy has become far more robust just since we began developing our own farm bill proposals, our own policy recommendations. That is why I'm so disappointed that as the House and Senate conference on their farm bill legislation, the Senate proposed that we increase spending that we estimated at \$16.5 billion higher, perhaps as high as \$22 billion more, according to the House Agriculture Committee.

In a time of record strength, at a moment when we have no time to waste in developing farm policy, after the Administration and the House took bipartisan steps toward compromise, simply put, the Senate has moved in the other direction. I was encouraged by the proposals the House put forward last week. I think they were reform-minded and would help bridge our differences in farm policy. The President, simply put, has said time

and time again that he will not sign a bill that raises taxes and uses taxpayer dollars to increase the size of the government.

Ladies and gentlemen, if I could ask you a question, is there anyone in this room today who believes that the federal government is too small? (pause) Folks, if any of you were tempted in any way to raise your hand -

[laughter]

let me just say that I encourage you to go across the Potomac River, and I'm talking from where we are today, and drive up and down Pennsylvania and Constitution Avenues and view all the federal buildings. And then if you really feel aggressive, go to K Street and drive up and down K Street, and count all the lobbyists who work the halls of Congress. Then come back and tell me that the federal government is too small, and we need more tax revenues to grow the size of this government.

Now I do know that some of you are thinking, "Chuck, this is just a farm bill, and all we need is a little more revenue to make ends meet; it's not that big of a deal and quit making a big deal about it." Ladies and gentlemen, it is a big deal. This past year Congress proposed raising taxes on nearly every major piece of legislation. Remember the original Energy Bill, the so-called S-chip bill, the alternative minimum tax bill? The point was always made that it was no big deal just to raise taxes for that one bill; we just need a little bit more. The President said, no. He said no in those circumstances, and he is saying no to the farm bill, that uses more tax revenues.

A farm bill that proposes to increase government and raise taxes in this process, I will tell you ladies and gentlemen, has very little chance of being successful. Our priorities for this legislation remain the same as ever. We want a strong safety net. I repeat, we want a strong safety net for our producers. We want a safety net that is efficient, effective, and one that further promotes \$101 billion of agricultural exports.

I mention this idea of a safety net because it is fundamental to the Administration's farm bill. Some suggested that the 2002 Farm Bill represents a good safety net, and I will tell you we do disagree with that statement. A good safety net does not spend price support subsidies to producers who have not sold for a low price. A good safety net is not to use taxpayer dollars to provide income subsidy payments to absolutely anyone in America living anywhere in America regardless of their financial status. How can we define that as a well-targeted farm bill?

And finally, a good safety net does not make payments-I believe-to part-time producers who, simply put, don't count on the farm to bring in their income.

Unfortunately we're facing these issues now and in the 2002 farm bill. I believe we need to fix the beneficial interest situation that I've mentioned because producers should not collect price support payments when they have sold for a good price. It sounds pretty logical to me, and I apologize for my simple-minded approach to farm policy.

We also want to reprioritize our funding by reducing the adjusted gross income cap to \$200,000. Ladies and gentlemen, this is an Outlook Conference, and we rightfully focus on the future. Let me just say to you, that the future of our farm safety net can not, should not and will not be about sending income subsidy checks to the wealthiest Americans that exist today.

If we are going to meet our growing challenges for energy, rural development which I hope you guys have heard a great deal about today, and of course our ever-increasing pressures on conservation, then scarce federal dollars must be invested so all benefit. And

we certainly cannot afford making payments to those who do not need them or to those who have not experienced any kind of loss whatsoever.

Finally, we believe that the final farm bill must contain a strong revenue-based reform of our countercyclical program. I don't mean to say too much to producers in the crowd other than a simple reminder that \$18-a-bushel wheat does not mean a thing if you don't have any wheat to sell.

Neither the House nor the Senate bills as originally passed, I believe, sufficiently address these issues. And ladies and gentlemen, I might be dating myself a little bit here, but I do have to tell you, I don't guess I need to remind you, but it's important for you to know I've had six farm bills I've now worked on. That's a whole thing.

[Laughter]

My first farm bill was the Food and Agriculture Act of 1981 when I was serving as a legislative assistant to Senator Richard Lugar. After the '81 farm bill, I moved to the Senate Agriculture Committee where I worked on the '85, '90 and '96 farm bills.

Now I'll digress a minute if I could and tell you that the '85 farm bill was really a memorable one for me. My wife and I had planned our second child. I was young, remember. I was young. We had planned our second child to be born after the '85 farm bill was completed.

[Laughter]

Of course those of you who know, the touchline here of course the '85 farm bill was delayed a bit in passage, and the time approached for my son Ben to be born during that process. And I will tell you, my wife went to the doctor on one fine Thursday and was told that everything was ready, but that it would probably be a few days before the baby was born, before Ben was born. That very same day I learned that we would be debating the farm bill on the Senate floor that following Monday. Now I had the pleasant task of informing my wife that if our child was not born that weekend, that I probably won't be able to be there for the birth.

[Laughter]

And that perhaps she might want to consider having that child induced early.

[Laughter]

Now, Mary Waters and some of you folks in the audience know my wife, and she's a peach. And she eventually agreed to plan her birth and schedule if you will around my farm bill commitments.

[Laughter]

Now for those of you who may not appreciate my wife now, if you think that I do not continue to pay for this decision -

[Laughter]

- you are so, so vitally wrong.

[Laughter]

You know, every Christmas, every one of her birthdays, Valentines Day, Grandmas Day, you name it, she sweetly reminds me of her 1985 Farm Bill sacrifice.

[Laughter]

And I only half-jokingly refer to my son Ben as my million dollar child, I'll tell you that.

[Laughter]

I worked on the 2002 bill as a special assistant to the president for Agriculture Trade and Food Assistance. The ways in which those bills have changed their focus since that time over the years is really a pretty good guide to the broader changes that we have seen in American agriculture because back then all the focus was almost entirely on the domestic market and how to match up supply and demand with that farm bill here at home.

To give you some idea how drastically things have changed since the first farm bill I worked on in 1981, I will tell you we had a Republican administration that year debating the bill with a Democratic House. And Jim Weismeyer was reported on that whole thing. But wait a minute. Things have not changed nearly as much as I thought!

[Laughter]

Not nearly as much.

But was different though, ladies and gentlemen, was the fact that the process was certainly different because we didn't have the technology that we have today. But we also spent all of our time debating literally how much land we needed to set aside in order for farmers to qualify for price support benefits. If you wanted to receive income help you had to agree to set aside 10, 15, 20, 30 percent perhaps of your land in order to qualify. My how times have changed!

Can you imagine the outcry we'd hear today at USDA if we were to tell farmers that they would have to take 20 percent of their historical wheat acreage out of production and that they would not be allowed to plant that end crop?

So I've seen these bills from just about every angle: from the Hill, from the White House, from the USDA. And I've also seen how this legislation affects farmers and ranchers across the country, not just from our listening sessions but I will also tell you from my own family farm which is run by my brother in Indiana. And if you think my big brother is any less of a farm policy critic than any of you, let me just tell you, you're wrong, and you certainly don't know the Conner family very well.

This is the guy who still to this day, and I'm 50 years old, does not trust me to drive the combine, okay?

[Laughter]

So you can imagine how he feels about giving me advice on farm policy. But I do appreciate his candor in that process. I show each one of you and always have shown each one of you that kind of frankness as I talk about the farm bill issues that come before our agency.

I will just tell you folks again, the proposals that the Senate put forth are not good policy. They will not, I believe, lead us to a prosperous future in American agriculture. They are not conducive to developing a bill most of all, that the President will sign, he can't sign, and if we don't get a bill passed we will be forced to extend the 2002 bill. That was good legislation for the time, but that time has passed. And we need to take the lessons learned from actual farmers, I believe, and improve and make better that 2002 law. It concerns me, ladies and gentlemen, that our farmers and ranchers could be constrained by legislation that was developed with an entire different farm economy in mind. It's a policy from another era. It's not legislation that was customized for our industry anymore, and it's not legislation that will help us move forward and be competitive for the years to come.

And with exports climbing to over \$100 billion a year, we simply have to take international trade considerations into account when we put forth to this next farm bill.

That means considering the impact, the changes in our farm policy will have on our trading partners, on our obligations under our existing trade agreements, and on prospects for future trade agreements as well, like the one being negotiated in the Doha Round.

We took a great step forward on the trade front in the Senate when President Bush signed the Peru Free Trade Agreement after the Senate voted overwhelmingly to approve that particular agreement. The next chapter of the story must be and should be the passage of free trade agreements with Korea, Panama and Colombia, which all promise tremendous gains to American agriculture.

And we will be working with Congress, I can assure you, to make that happen. No matter how many markets we open though, or how forward-thinking our foreign policy is, we can't continue our successful agricultural economy without a labor force. This issue of immigration and farm-workers is one that will have to be resolved soon if we want to continue as the Breadbasket of the World. And I think it's an important topic for our agency to be involved in.

I'll just say straight up that the future of American agriculture depends upon us getting our arms around this issue. The American public frankly won't stand for a farm workforce that depends so heavily upon illegal workers. And yet our farms can't operate without a sustained and reliable workforce. This problem will only intensify as farming operations become more consolidated and more sophisticated.

That's why I was pleased to announce that along with the Departments of Labor and Homeland Security that USDA is working to revamp our H-2A Guest worker Program. We believe our reforms will make it easier for farmers to participate in what has been a somewhat complex program in the current H-2A situation. We think these changes will offer good incentives to both producers and workers to operate inside the lines of the law, and that they will more likely opt to do so.

Immigration policy, just like farm policy, must recognize the realities of our economy and plan to the future. And that is why our next farm bill must be forward-looking, and it must help our industry grow and change with the times so that we can retain our competitive edge globally.

And with that, ladies and gentlemen, I will wrap up my remarks so that we can have a time for a few questions and answers. As they say, I'm probably not out of material, but I am out of time. So with that, I thank you for having me here tonight. I'll just say, God bless each one of the farmers and ranchers in the crowd, and God bless all the farmers and ranchers in this country who do their job in such a remarkable way. We're so proud of all they do for us in times of plenty and times of short, and it's great to be up here representing such a great and strong industry. Thank you all for being here tonight.

[Applause]